

Message Text

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46

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 IO-14 ISO-00 OIC-04 AF-10 ARA-16

NEA-14 RSC-01 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07

PA-04 AID-20 CIEP-02 SS-20 STR-08 TAR-02 TRSE-00

USIA-15 PRS-01 SP-03 FEA-02 OMB-01 SWF-02 DRC-01 /249 W

----- 046001

R 061050Z MAY 74

FM USMISSION GENEVA

TO SECSTATE WASHDC 5556

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, GATT, IT

SUBJECT: GATT COUNCIL ON ITALIAN IMPORT MEASURES

REF: A. STATE 90784; B. STATE 90223; C. GENEVA 2793

1. IN GATT COUNCIL MEETING MAY 3 RESULTING IN DECISION TO FORM
WORKING PARTY TO EXAMINE ITALIAN IMPORT MEASURES (REFTEL C),
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ITALY (FARACE) OUTLINED PRIOR DEPOSIT SCHEME, WHICH WAS DESCRIBED

AS TEMPORARY AND INTENDED TO LIMIT LIQUIDITY OF BANKS AND IMPORT FIRMS. DEPOSITS COMPLEMENTED OTHER ANTI-INFLATIONARY MEASURES ADOPTED IN CONNECTION WITH IMF LINE OF CREDIT AND EC CREDIT. OTHER MEASURES INCLUDE 1974 INCOME TAX LEVY ON INCOME EARNED IN 1975, INCREASE IN SHORT-TERM DISCOUNT RATE, LIMITS ON GROWTH OF BANK CREDIT, AND SUPPRESSION OF DOUBLE LIRA EXCHANGE RATE. DETAILS ON PRIOR DEPOSITS NOT AVAILABLE UNTIL MEASURE PUBLISHED IN OFFICIAL GAZETTE, WHICH EXPECTED SOME TIME IN WEEK MAY 6-10.

2. EC (LUYTEN) SIMPLY SAID ROME TREATY MAKES PROVISIONS FOR KINDS OF DIFFICULTIES ITALY NOW EXPERIENCING AND STUDY AND REVIEW WITHIN EC WILL PRODUCE FURTHER ELEMENTS OF INFORMATION AND JUDGMENT. NO ONE RAISED ISSUE OF APPLICATION OF MEASURES TO INTRA-EC TRADE.

3. CHAIRMAN (LAI) PROPOSED AND COUNCIL APPROVED WITHOUT OPPOSITION WORKING PARTY WITH EASTERBROOK-SMITH (NEW ZEALAND) AS CHAIRMAN AND MEMBERSHIP OPEN TO ALL INTERESTED CPS. WP TO MEET AS SOON AS NECESSARY INFORMATION IS AVAILABLE, WITH EXACT DATE TO BE DETERMINED BY WP CHAIRMAN AFTER CONSULTING ITALY AND OTHER INTERESTED CPS. TERMS OF REFERENCE SIMILAR TO THOSE FOR 1968 UK DEPOSIT SCHEME: "TO EXAMINE THE IMPORT DEPOSIT SCHEME INTRODUCED BY THE GOVERNMENT OF ITALY AND ITS IMPLICATIONS; TO REPORT TO THE COUNCIL AND TO CONTINUE TO BE AVAILABLE FOR CONSULTATION AS NECESSARY." COUNCIL ALSO INVITED DG LONG, AS PROVIDED GATT ART. XV, INITIATE NECESSARY CONSULTATIONS WITH IMF.

4. U.S. (MILLER), IN SUPPORTING LAI'S CALL FOR WP, MADE STATEMENT ALONG LINES PARA 1 REFTEL (A); ALSO STATED U.S. VIEW (REFTEL B) THAT DEVELOPMENT UNDERSCORES NEED TO REACH EFFECTIVE INTERNATIONAL AGREEMENTS AGAINST RESTRICTIVE TRADE MEASURES. JAPAN, SWITZERLAND, AND SWEDEN JOINED U.S. IN REGRETTING RESORT TO RESTRICTIONS IN PRESENT INTERNATIONAL ECONOMIC SITUATION AND CITING DANGERS OF PRECEDENT. POLAND ASKED ITALY EXEMPT POLISH AGRICULTURAL EXPORTS. PAKISTAN ASKED WHETHER ANY COUNTRY OR CLASS OF COUNTRIES EXEMPTED, THEN SAID LDCE SHOULD BE EXEMPT. ROMANIA ALSO HOPED LDCE COULD BE EXEMPTED, ESPECIALLY THOSE WHOSE EXPORTS TO ITALY ARE MORE SENSITIVE. SEVERAL COUNCIL MEMBERS NOTED ITALIAN LIMITED OFFICIAL USE

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STATEMENT PRIOR DEPOSITS WERE TEMPORARY.

5. FARACE SAID MORE SPECIFIC RESPONSES TO QUESTIONS MUST WAIT FOR WP BUT BELIEVED BECAUSE OF EXEMPTION OF AGRICULTURAL GOODS, RAW MATERIALS, AND MOST INVESTMENT GOODS, LDCE "BROADLY SPEAKING/ LIKELY TO BE LAST AFFECTED. FARACE SAID PRIOR DEPOSIT MEASURES WERE NECESSARY FOR WORLD ECONOMIC SECURITY IN ORDER THAT A COUNTRY OF ITALY'S ADVANCED

STATE OF ECONOMIC DEVELOPMENT COULD GO ON CARRYING OUT ITS RESPONSIBILITIES. AGREED WP SHOULD MEET AS QUICKLY AS POSSIBLE WHEN INFORMATION AVAILABLE.

6. NEITHER ITALY NOR ANY OTHER DELEGATION CITED ANY ARTICLE OF GATT OR TOOK ANY POSITION RE LEGALITY OR ILLEGALITY OF ITALIAN ACTION. NEITHER DID ANY DELEGATION ASK WHEN IMF VIEWS MIGHT BE EXPECTED (PERHAPS DUE TO EFFORTS OF LOCAL IMF REP, WHO ASKED SEVERAL DELEGATIONS NOT TO RAISE THIS SOMEWHAT EMBARRASSING QUESTION).

7. FARACE TOLD US AND OTHERS PRIVATELY HE THINKS WP MEETING PROBABLY CAN BE HELD IN ABOUT FOUR WEEKS. GENERAL UNDERSTANDING, SHARED AT LEAST BY U.S., ITALY, EC AND WP CHAIRMAN, IS THAT WP WILL MEET WHEN ITALY HAS MADE INFORMATION AVAILABLE, WITHOUT WAITING FOR IMF VIEWS, AND WILL THEN MEET AGAIN WHEN IMF VIEWS AVAILABLE.DALE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BALANCE OF PAYMENTS, ECONOMIC CONTROLS, IMPORT CONTROLS, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974GENEVA02812
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740108-0830
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740572/aaaacmpg.tel
Line Count: 132
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. STATE 90784; B. STATE 90223; C. G. ENEVA 2793
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2002 by boyleja>; APPROVED <11 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GATT COUNCIL ON ITALIAN IMPORT MEASURES
TAGS: ETRD, IT, GATT
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005